

MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THEIR OFFICE AT 677 QUEEN STREET
ON THURSDAY, MARCH 17, 2005,
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Thursday, March 17, 2005 at 9:05 a.m.

The meeting was called to order by Chairman Charles Sted and, on roll call, those present and absent were as follows:

CALL TO
ORDER/
ROLL CALL

PRESENT: Director Charles King
Director Betty Lou Larson
Designee Rick Manayan
Designee Henry Oliva
Director Linda Smith
Director Charles Sted
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Francis L. Jung

Staff Present: Bryan Yee, Deputy Attorney General
Pamela Dodson, Executive Assistant
Janice Takahashi, Planner
Mavis Masaki, Planner
Georgina Lopez, Housing Information Specialist
Patti Miyamoto, Compliance Officer
Tom Otake, Housing Development Section Acting Chief
Stan Fujimoto, Housing Development Specialist
Chris Sadayasu, Housing Development Specialist
Gary Umeda, Housing Inspector
Kevin Funasaki, Construction Management Section Chief
Darren Ueki, Finance Manager
Marlene Lemke, Sales & Counseling Section Chief
Dean Sakata, Finance Specialist
Lili Funakoshi, Hearings Officer
Mike Hee, Contracts Administration Section Chief
Sherry Noguchi, Chief Accountant
Shirley Higa, Secretary to the Board

OTHERS: Michael Flores, HUD
Jun Chung, HUD
David Chinen, Waiahole Waikane Valley Association
Claudia Shay, Self-Help Housing Corporation
Merrill Wallace, Bremerton Housing Authority
Clarence Nelson, Bremerton Housing Authority

The Chairman declared a quorum was present.

QUORUM

Director King moved, seconded by Designee Oliva

APPROVAL
OF
MINUTES -
2/17/2005

That the minutes of February 17, 2005 be approved as presented.

The motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Board of Directors amend Item III.B4)d. of the December 7, 2000 approved For Action to Amend the Terms and Conditions of the Lease to Permit Mortgages on the Leasehold Interest on Residential and Agricultural Lots in the Waiahole Valley Agricultural Park and Residential Subdivision.

APPROVAL
TO AMEND
ITEM
III.B 4)d.
OF THE
12/7/2000,
APPROVED
FOR ACTION
TO AMEND
THE TERMS
AND
CONDI-
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OF THE
LEASE TO
PERMIT
MORT-
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ON THE
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LOTS
IN THE
WAIAHOLE
VALLEY
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PARK AND
RESIDEN-
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SUBDI-
VISION

Director King moved, seconded by Director Smith

That staff's recommendation be approved.

Finance Manager Darren Ueki reported that the item was deferred on December 16, 2004 for 90 days to allow staff to meet with the Waiahole Waikane Community Association (WWCA) regarding the lease premium.

Mr. Ueki explained that on March 15, 2001 the Board authorized the Executive Director to impose a Deferred Sales Price (DSP) and Shared Appreciation Equity (SAE) Program in the formula for the leasehold premium. Staff however believes that the usage of a fair market value (FMV) of the leasehold interest of the land would be more affordable and equitable for the lessees.

Mr. Ueki continued that the proposed amendment would enable staff to work with all long-term lessees who are in compliance with their leases and who wish to pursue the purchase of their leasehold interest to finance their loans. The lessees would be required to obtain a FMV through their lender which would then determine the leasehold premium.

Mr. Ueki also noted that the Self Help Housing Corporation of Hawaii (SHHCH) has a listing of 20 lessees who have expressed interest in having their leases amended in order to finance the construction of their homes.

Staff has received concurrence from both the Waiahole Waikane Community Association (WWCA) and the SHHCH regarding the proposed basis of using FMV in determining the leasehold premium. Mr. Ueki also commented that the subject of speculation was resolved and all parties have agreed to the proposed amendment to allow the purchase of the leasehold interest.

Mr. Ueki then introduced David Chinen, President of the WWCA. Mr. Chinen summarized the past events as beginning with the determination of \$0.74 per sq. ft. based on the total amount of \$15 million expended by HCDCH divided by the total square footage of useable leasehold land. At that time, it was believed to be fair as HCDCH would receive the monies back from its investment.

However, staff's new proposal based on fair market value was received. Initially it was believed that this would be unaffordable for the lessees due to the appraised FMV of the land which would be extremely high in today's real estate market.

In his discussion with the City & County of Honolulu (C&C) Tax Assessment

Division, it was learned that there were no sales in Waiahole Valley that could be used as comparables. Due to this, tax assessments were based on fee simple sales surrounding the valley. In doing so, one lessee had his 44.67 acres of land assessed at more than \$2 million.

Mr. Chinen further stated that lessees were allowed to go through the appeal process, which could lower their assessment. In doing so, adjustments for leasehold land are taken into consideration such as:

- Deductions as high as 33% due to the restriction of a mortgage on the lease;
- Allowance for fallow land; and
- Deduction for flood control location.

With this information, Mr. Chinen stated that he discussed the affordability of the land with the lessees. The majority of the lessees indicated that up to \$10,000 would be affordable for them.

A review of the tax assessments which most of the lessees had appealed, revealed lower assessments due to the adjustments. Mr. Chinen referred to the lessee whose land was assessed at \$2.3 million two years ago. As a result of the appeal process it was adjusted to \$78,000 due to much of the wetland areas that are unusable. Mr. Chinen gave other examples of the adjusted assessments:

- 47.368 acres originally appraised at \$968,000 was lowered to \$43,200 due to gulches and unused land which would be in the best interest to remain as is; and
- 14.214 acres originally appraised at \$788,000 was adjusted to \$203,660.

Mr. Chinen further stated that the WWCA Board of Directors met with Claudia Shay of SHHCH who explained in detail how the SAE and DSP would be applied to the 5% of the FMV as proposed by staff. After several hours of discussion, the WWCA Board unanimously approved HCDCH's proposal.

Mr. Chinen expressed his appreciation to the Board for delaying action for 90 days. This enabled the lessees to work with staff to come to a mutual agreement and bring a closure to an issue that has been held in abeyance for years.

Director Smith commended staff and the residents of the Waiahole Valley in working together to come to a mutual agreement. She further commended staff for ensuring that the Board fulfilled its fiduciary duty with its investment in the land as well as providing a methodology that would be affordable for the residents to build their homes on the land.

Director Smith explained that she was very supportive of staff's recommendation as it reflects the same ideology as other governmental institutions such as the Veterans Administration (VA) and U.S. Department of Agriculture – Rural Development, who uses 5% of FMV in construction of affordable housing. Director Smith further thanked Director Jung for his input and expertise into the matter.

In response to Director King's query, Mr. Ueki stated that the methodology that staff is recommending, will be offered to all lessees in the future who would like to purchase the leasehold interest. Although there are other issues that have to be addressed first, staff believes that the approval to amend the lease term is a big step forward for both parties.

There being no further discussion, the motion was unanimously carried.

Staff’s recommendation was presented as follows:

That the Board of Directors approve the sale of leasehold interest for the land in the residential and agricultural lots in the Waiahole Valley Agricultural Park and Residential Subdivision when the lessees pay a minimum of 5% Lease Premium, with a 45% Deferred Sales Price Program and a 50% Shared Appreciation Equity Program Based on Fair Market Value Appraisal of the Land (Model B).

Director King moved, seconded by Director Larson

That staff’s recommendation be approved.

Mr. Ueki stated that as a result of the recently approved amendment to the terms and conditions of the lease, staff is recommending a methodology to arrive at a fair leasehold premium to offer to the qualified lessees of the Waiahole Waikane Valley. The methodology was formulated after a teleconference with the Board’s subcommittee on the Waiahole leasehold premium which was comprised of Directors Linda Smith and Francis Jung. With the subcommittee’s guidance, staff was able to encompass both parties’ concerns: HCDCH to receive its investment back over time and affordability for the lessees.

Staff presented two models for the Board’s consideration. One model used the Deferred Sales Price (DSP) Program only and the second model, which staff recommends, utilizes both the DSP and the Shared Appreciation Equity (SAE) Program. Both models used a 5% down payment that was considered affordable for both the residential and agricultural lot lessees.

Model A used only the DSP of the remaining 95% of the premium could amount to a large amount due to HCDCH over time. In order to address this, staff recommends that Model B be approved as this would use only 45% of the DSP and 50% of the SAE that would be due upon the sale of the property.

Chairman Sted announced that the Self Help Housing Corporation of Hawaii submitted a letter supporting staff’s recommendation.

Director Thompson asked about other issues that may prevent the culmination of the sale of the leasehold premium. He requested that a time schedule be provided so that the lessees would know what to anticipate in the future.

Mr. Ueki stated that the outstanding issues are within the purview of the Development Section.

Director Thompson then requested that the Executive Director provide to the Board a list of the outstanding issues as well as a schedule of the resolutions.

Executive Director Stephanie Aveiro stated that it would be provided adding that some of the issues are listed within her current report to the Board.

Deputy Attorney General Bryan Yee asked about HRS 201G-127 which relate to the DSP and SAE programs. Although the For Action does not refer to these rules, staff’s intent is to follow these rules which limits it to family members in the event there is a sale of the property. Mr. Ueki answered that was a correct statement.

There being no further discussion, the motion was unanimously carried.

Mr. Ueki acknowledged Marlene Lemke and Marcia Kamiya who worked extremely hard to make the sale of the leasehold interest possible for the lessees.

APPROVAL
OF SALE
OF
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HOLD
INTEREST
FOR THE
LAND
IN THE
RESIDEN-
TIAL
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IN THE
WAIAHOLE
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FAIR
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APPRAISAL
OF THE
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Staff’s recommendation was presented as follows:

That the HCDCH Board of Directors:

- 1. Approve the proposed Chapter 17-2028 Hawaii Administrative Rules and the repeal of Chapter 15-190, Hawaii Administrative Rules;
- 2. Subject to the Governor’s approval, authorize the Executive Director or her designated representative(s) to conduct public hearings on the adoption of Chapter 17-2028, Hawaii Administrative Rules and the repeal of Chapter 15-190, Hawaii Administrative Rules;
- 3. Authorize the Executive Director to make any non-substantive amendments to the draft rules prior to the public hearing; and
- 4. Following the public hearings:
 - a. Authorize the Executive Director to transmit Chapter 15-190, Hawaii Administrative Rules to the Governor for repeal; and
 - b. Authorize the Executive Director to transmit Chapter 17-2028, Hawaii Administrative Rules, to the Governor for final approval provided that no substantive amendments are made.

Director King moved, seconded by Designee Oliva

That staff’s recommendation be approved.

Contracts Administrator Michael Hee explained that the proposed amendment is to update the utility allowance schedule for residents of federally assisted public housing projects administered by HCDCH. The methodology for calculating the utility allowance first uses the consumption allowance and then determination of the utility rate. The consumption allowance is based upon the types of appliances and equipment which may/may not be energy efficient.

A consultant was retained to determine the amount of power that would be used to determine the quantity allowance. A separate utility allowance was also determined for the disabled population. Mr. Hee further stated that unless the methodology is changed, the annual revised utility allowances would be implemented without further Board approval.

Director Smith asked if the methodology is similar to ones used by other housing agencies.

Mike Flores of HUD explained that in determining the utility allowances, there are two parts as was explained by Mr. Hee and is applied nationwide. The consumption portion of the methodology is based upon the types of appliances, equipment, and water heating elements and then adjusted accordingly by the utility rates. Utility allowance is intended to allow for a reasonable level of usage that would allow the affected families to live in a safe and sanitary environment.

Director Thompson commented that it might not be cost effective for staff to implement a very complex formula annually.

APPROVAL
OF
PROPOSED
CHAPTER
17-2028
“FEDER-
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ASSISTED
HOUSING
PROJECTS,”
HAWAII
ADMINIS-
TRATIVE
RULES
(HAR)
AND
REPEAL
OF
CHAPTER
15-190
“FEDER-
ALLY-
ASSISTED
HOUSING
PROJECTS”,
HAR
TO ADD
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CALCU-
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ALLOW-
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Director Smith asked if there might be a process by which the staff may be given more flexibility in the rules to arrive at the utility allowance if they were allowed to work together with the appropriate federal agency.

Deputy Attorney General Bryan Yee responded that rules are made to establish a formula by which staff has to follow. However, the formula may become more complex than the rule as the rule specifies the actual kilowatt hours. The formula would indicate how each kilowatt hour is calculated.

Mr. Flores stated that HUD does not need to approve the rules as each individual housing authority sets its own utility allowance. However, utility consumption would be the important factor as it may be possible that the housing authority might be challenged about the consumption. If this happened, then the rules would be very valuable as it sets the formula by which staff follows to establish the utility allowance.

In response to Director Thompson’s query, Mr. Hee explained that using 30% of the tenants’ income and then deducting the utility allowance determines the monthly rent. Should a tenant be very conservative in their actual utility consumption, the tenant would be able to retain any excess funds. Mr. Hee added that staff plans to retain a consultant annually for approximately \$1,000 or less to update the utility allowance for HCDCH.

Kevin Funasaki, Construction Management Section Chief, stated that an energy audit is required every five years. An audit to assess the energy consumption levels by projects will be done in 2005.

EXECUTIVE
SESSION

As there was a concern by Director Smith, Designee Oliva moved, seconded by Director Thompson

That the Board meet in Executive Session at 10:07 a.m.
to confer with its legal counsel.

The motion was unanimously carried.

* * * * *

The Chair reconvened the meeting in regular session at 10:15 a.m.

There being no further discussion, the motion was unanimously carried.

Staff’s recommendation was presented as follows:

That the Board of Directors appoint Mr. Douglas Kaya and Mr. Moses Lum Hoy to the Oahu Eviction Board for a Two-Year Term Expiring on March 31, 2007.

Director King moved, seconded by Designee Oliva

That staff’s recommendation be approved.

Hearings Officer Lili Funakoshi reported that staff continuously recruits for volunteers to serve on the eviction boards to ensure that there is a quorum. Douglas Kaya and Moses Lum Hoy have both indicated their willingness to serve on the eviction boards for Oahu. Staff is therefore requesting approval to appoint both of them for a two-year term.

APPOINT-
MENT OF
MR.
DOUGLAS
KAYA AND
MR. MOSES
S. LUM
TO THE
OAHU
EVICTION
BOARD
FOR A
TWO-YEAR
TERM
EXPIRING
ON
03/31/2007

Director Thompson asked if the liaison of the Office of the Governor for Boards and Commission has been contacted for referrals to the eviction boards. Ms. Funakoshi answered that the Office of the Governor has been contacted and are

aware of the need for referrals by HCDCH.

Director Thompson encouraged Ms. Funakoshi to pursue this source of names due to the many vacancies on the various boards that may occur later in the year.

Designee Oliva asked if there was any limitation as to the terms that the members may serve to which Ms. Funakoshi stated that the appointments are for two-year terms and may be renewed biennially.

There being no further discussion, the motion was unanimously carried

Staff’s recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors, adopt PHA/IHA Board Resolution, Approving the Operating Budget and the Calculation of Performance Funding System Operating Subsidy, HUD Form 52574, to request an operating subsidy of \$12,290,668 for Fiscal Year 2005-2006 for the Federal Low Rent Housing Program.

Director Thompson moved, seconded by Director King

That staff’s recommendation be approved.

Compliance Officer Patti Miyamoto stated that as HCDCH is considered a troubled agency, it is required to submit its operating budget to HUD in addition to its annual request for its Performance Funding System (PFS) operating subsidy. The PFS would allow the agency to make up for the shortfall between the allowable level of expenses and the available income.

Director Thompson reported on his meeting with Chief Accountant Sherry Noguchi and Compliance Officer Patti Miyamoto, regarding the proposed recommendation before the Board. He summarized the proposed budget as follows:

FYE 2004 Operating Reserve	\$16,100,000
FYE 2005 Projected Operating Reserve	<u>740,000</u>
FYE 2005 Projected Operating Reserve Budget	\$16,840,000
FYE 2006 Projected Operating Reserve	<\$ 8,700,000>
FYE 2006 Requested Operating Reserve Budget	\$ 8,140,000

The differences between the budget of 2005 as compared to the figures estimated for 2006 were the projected improvement of revenues of approximately \$2 million. Another difference was the increase in salaries of \$4 million based on the assumption that the agency would be fully staffed. This is believed to be a realistic projection according to Personnel Management Specialist Shirley Befitel who anticipates a full staff in May or June 2005. Executive Director Stephanie Aveiro added that the personnel costs included the anticipated union negotiated salary increases for staff.

Director Thompson continued that approximately \$3.2 million more in maintenance costs were added to the proposed budget. Non-routine expenditures of \$3.7 million make up the third change in the budget, which in essence is a catch-up for maintenance work that was not performed in the past.

APPROVE
THE
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OPERATING
SUBSIDY
FOR
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2005-2006
FOR THE
FEDERAL
LOW
RENT
PROGRAM

Director Thompson concluded by stating that he believed the budget was based on sound projections. He also noted that it provided the area managers with a plan for the next fiscal year giving them an opportunity to make necessary adjustments in the future. He further acknowledged Ms. Noguchi and Ms. Miyamoto for their joint effort in making the budget plan possible.

Director Smith commented that the budget plan served as a good foundation as it was learned in her recent trip to Washington, D.C that HUD is proposing a rule change that would use actual operating costs as a basis for its operating subsidies to the public housing agencies.

Director Thompson added that the budget reflects the revenues and expenses of each individual project enabling accountability for the various projects. The next step would be cost reporting which would reflect the progress made relative to the proposed budget.

Director King expressed his concern about the \$4 million cost involved in a fully staffed agency. Director Thompson responded that it was a budgeted item.

Michael Flores of HUD commented that HUD currently uses an overall budget based on a housing authority by the number of projects. However, it is now being developed to a project based accounting where each project's budget is evaluated. This would be based on operating costs and would indicate which projects are operating efficiently and which projects are not.

Mr. Flores further stated that a comparison of the costs of privately owned rental apartments with public housing units is used to determine the allowable expenses.

Director Thompson pointed out that the proposed budget for operating subsidy is based on 89% of the total expenditures and not 100% reflecting a reduction in the reserve account.

Director Larson asked if troubled agencies that expend more for its maintenance and building costs are given consideration for the additional costs incurred.

Mr. Flores responded that as HUD moves toward performance funding system rather than a standard formula for all housing agencies, there are alternatives to resources that would assist troubled agencies in its capital funding expenditures.

There being no further discussion, the motion was unanimously carried.

Executive Director Stephanie Aveiro explained that in response to a request by Director Smith for information on the contract HCDCH has with the Bremerton Housing Authority (Bremerton), Merrill Wallace and Clarence Nelson representing Bremerton were invited to attend the meeting.

Mr. Merrill Wallace gave a brief background of Bremerton noting that in addition to Hawaii, it provides services in Washington, Nebraska and Utah.

Mr. Clarence Nelson then addressed the Board explaining that the initial contract was for six months and that it was recently extended to one year. The progress of the contract appears to be satisfactory with the three staff members it has.

The Chairman asked Mr. Wallace to elaborate on Bremerton's progression to expand its services outside of its own agency.

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UPDATE

Mr. Wallace explained that the Housing Act of 1937 allowed communities to develop housing authorities and later in 1939, the state of Washington, allowed municipalities to have housing authorities. HUD became a focal point for affordable housing in the 1970's. As Bremerton had a public housing inventory of 7,000 units that was underutilized, it worked together with HUD to develop the Annual Contributions Contract (ACC). Subsequently the Section 8 program was developed where the qualified tenants would pay 30% of their income toward the rent and the property owners would receive a subsidy for participating in the program.

Project based Section 8 soon developed that provided subsidies, and low interest rate loans as incentives to the developers. Bremerton then expanded by contracting with other communities in Washington and with other states by using interlocal agreements.

Mr. Nelson stated in response to Director Smith's query, that of the 3,048 units managed in Hawaii, this represents either 47 to 48 projects. There is little interaction with HUD and tenants. As there may be owners of multiple units, Director Smith asked for the number of property owners that they work with.

Mr. Wallace further stated that Bremerton must be provided with certification by the property owners and work with them as far as curb appeal and health and safety issues that may need to be addressed. He further stated that HUD is kept aware of their monthly activities such as management reviews completed, via the invoices for their fees. Mr. Wallace noted that the privately owner properties have been well maintained, however, there is a possibility that some will be taken off the rental market due to sales.

Mike Hee, Contracts Section Administrator, clarified that funds received by HUD is based on submittal of approved vouchers/invoices. Upon approval, HUD electronically wires the funds to HCDCH into two accounts. One account is for the administrative fee paid to Bremerton and HCDCH and the second account is for the Housing Assistance Payment (HAP) which is for the landlords.

Mr. Flores clarified that the contract with Bremerton was essentially what HUD was doing as it was administering the contracts directly with the individual project owners. Hawaii has approximately 116 projects, of which 47 or 48 are administered by the contract administrator (Bremerton). The contract is with HCDCH who has diversified its operations by subcontracting some of its work to Bremerton. HUD is still administering the remaining projects.

In response to Director King's query, Mr. Nelson stated that the incentives are based on acceptable quality levels that HUD has determined. A base fee has its requirements and if the contract administrator exceeds the requirements, the incentive fee is then added. These fees were negotiated at the time of execution of the contract which allows for a 2% base fee and a 1% incentive fee for exceeding the requirements.

Director Thompson asked for a background as to how the determination was made for the 47 or 48 projects for HCDCH and/or Bremerton to administer.

Mr. Hee explained that in 1999, HUD issued a Request for Proposals (RFP) for a Performance-Based Contract Administrator (PBCA) for some of its projects to begin in 2000. A PBCA is a state or county housing entity. As there was no interest expressed from any of the counties, HCDCH submitted an application to ensure that the landlords be serviced by a local agency.

HUD has an inventory of projects comprised of projects that receive subsidies other than Section 8, or no subsidy at all. HCDCH owns two Section 8 projects that are administered by HUD. At that time, there were approximately 76 projects that HUD had put on a list for Request for Proposals for a PCBA. For a variety of reasons, some projects were deleted and HCDCH had submitted an application for 64 of the projects. Mr. Hee continued that the PCBA is awarded contracts monthly as the number of residents fluctuates monthly. The RFP was for a five-year period (3 years, with two one-year options).

Ms. Aveiro explained that HUD strongly recommended HCDCH to subcontract the work as HCDCH lacked the resources to perform satisfactory. It agreed and executed an interlocal agreement with Bremerton.

Director Larson expressed her concern about projects whose owners may decide not to further participate in the program.

Mr. Nelson stated that as a PBCA, it attempts to make the participation of the landlords in the program as simple as possible. It focuses on customer service for both the landlord and residents.

In response to Director Thompson’s query, Mr. Hee stated that approximately \$1.5 million monthly in subsidies from HUD. The administrative fees are based on the average fair market rent which has been approximately \$54,000 - \$63,000 per month. Bremerton receives 80% of this and HCDCH receives 20%. An additional incentive fee is split 50-50 between the two agencies.

Executive Director Stephanie Aveiro reported that that staff has worked with the Waianae community regarding Uluwehi and it has been learned that they are not interested in selling the units after renovation. The community is very supportive of staff’s plans to demolish the project and has plans for transitional and affordable housing on the site in the future.

Chief Planner Janice Takahashi updated the Board on the legislative bills that are still active. The Omnibus Housing Bill which would impact the Rental Housing Trust Fund in a positive way; however, it also divides HCDCH into two separate entities.

Director Smith added that the Office of the Governor has been active with discussing the arguments against the proposed division of HCDCH with the legislative leaders who support it.

(Chairman Sted left the meeting at this time; Vice Chairman King then chaired the meeting.)

Ms. Aveiro continued her report stating that Douglas Miki had been selected as the Supervising Public Housing Manager.

Kevin Funasaki, Construction Management Unit Chief, reported on the Memorandum of Understanding (MOU) with the Department of Accounting and General Services (DAGS) and the work that the “A” Team has done thus far to address the vacant units as well as to raise the agency’s Real Estate Assessment Center (REAC) scores.

The joint effort with DAGS is to reduce the turnaround time between tenants. Mr. Funasaki cautioned the Board that there would initially be a rise in the turnaround time due to the units being vacant for a long length of time.

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT

MEMO-
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(MOA)

Improvements of the physical conditions of the units as well as the certification of the units are two main focal points. Vacant units have been categorized into three groups depending on the severity of the damages and repairs that need to be done. Units will also be monitored regularly to prevent future damage. Issues such as housekeeping will need to be addressed on a more timely basis to curtail any damage/repair that may be seen at the time of the annual inspection.

Many of the units that are severely damaged are those that have been vacated due to evictions. External problems such as leaking roofs may not be a result of the tenants but due to normal wear and tear on the buildings.

Ms. Aveiro added that the area managers will be required to do more frequent inspections to allow them more opportunities to observe the interior of the units and ensure that the units are maintained.

Director Larson commented that an outside source may be more appropriate to assist the tenants in developing pride in maintaining their living space in an appropriate manner.

Director Thompson also commented about the individuals and families on the wait list who are willing to be responsible for the proper care of the units should they become available to them.

Mr. Funasaki pointed out that the amount of units available throughout the years is not significant due to the lack of turnaround of the residents. The issue of limiting the number of years a person and/or family may live in a public housing project may need to be examined. If not, the inventory of vacant units available for those on the wait list will continue to be minimal.

Compliance Officer Patti Miyamoto reported that there has been progress as HUD has agreed to close out 13 more targets and strategies of the MOA.

Meetings with HUD have continued and a better understanding between the two agencies has developed.

Mr. Flores agreed with Ms. Miyamoto that the meetings have been beneficial for both parties. The monthly meetings with everyone involved will ensure that there is a common understanding by everyone relative to the progress of HCDCH in meeting the requirements of the MOA.

It is hoped that all the management area managers replicate the work that has been demonstrated by the "A" Team as it has proven that it can be done. Recognizing that some units have been vacant for an extremely long period of time, and that it would skew the data, staff has been asked to separate those units and use a more appropriate start date to show the progress and improvements.

Mr. Flores expressed his satisfaction on the earlier agenda item regarding the budget for Fiscal Year 2006. This will enable the agency to track its expenses and its resources.

Another issue of importance is the completion of a reorganization of the agency by May 2005. Although the reorganization may have to be fine tuned later, at least most of the reorganization will have been completed.

The area of procurement is another issue that needs to be addressed to ensure that the contracts are in accordance with the proper procedures to issue or renew the contracts.

Mr. Flores ended saying that HUD is encouraged by the progress and hope that HCDCH continues to move forward.

Ms. Aveiro continued with her Executive Director’s report by stating that she had asked Director Smith to share her discussions with HUD on her recent trip to Washington, D.C. following the subcommittee reports.

CONTRACTS
AND
AUDIT
SUBCOM-
MITTEES

There were no reports by the Contracts or the Audit Subcommittees.

FINANCE
SUBCOM-
MITTEE

Finance Subcommittee report was given earlier on the agenda.

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MITTEE

Director Thompson reported that the Organization Subcommittee met on January 28, 2005. The purpose of the subcommittee was to evaluate options for improving the performance of HCDCH of HUD related activities. There were a number of options that were considered such as the National Association of Housing and Redevelopment Officials (NAHRO) for technical assistance. Senior management positions, which are not yet filled such as financial, and property management could be assisted by NAHRO. However individuals would be identified by a Request for Proposal or through the competitive bidding process. NAHRO does provide technical assistance to troubled agencies. Due to the time constraints, the subcommittee had a general consensus to just “fix it and get out.”

Another area that the subcommittee looked into was other public housing agencies such as Bremerton Housing Authority could provide assistance in the financial area. The advantage to this approach would be the interlocal agreement which would probably be completed within the time constraints as set by the MOA.

The possibility of having another public housing agency actually performing the work was also explored. More research needs to be done in this area as it would impact personnel issues.

Independent firms whose expertise is in assisting troubled agencies is another option that was looked into who would provide more consultant work in specific areas.

HUD has a recovery and prevention division which assists troubled agencies by providing independent contractors.

In reviewing these options, there was a general consensus to bring in expertise assistance on a short-term basis such as 4-6 months to address specific problem areas such as finance. This would be in response to the IBM study which indicated that there was a lack of policies and procedures in the area of finance

Director Thompson concluded his report by suggesting that staff check to see if there is any interest in providing the technical assistance that is needed.

Executive Director Stephanie Aveiro stated that staff would follow up on the Organization Subcommittee’s report. The scope of work would be relative to meeting the requirements of the MOA which is time sensitive. In order to meet this, Ms. Aveiro agreed with the subcommittee that an interlocal agreement would be the most expedient method.

Director Smith shared her discussions with HUD during her recent trip to Washington, D.C. Currently, 52% of HUD’S entire budget is devoted to tenant-based programs or basically Section 8. In the next fiscal year, more than \$1 billion will be added to the section making it 56% of the budget. There has been an annual increase of 48% to HUD’s tenant-based programs.

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT
(CONT’D)

In order to control the rising costs, the U.S. Congress in 2003 then funded only Section 8 vouchers that had a lease. In the past, Congress funded all vouchers that were budgeted for each state. This then led all public housing agencies to enter into leases. As this did not decrease amount of funds expended by the program. In 2004 Congress then used the months of May, June and July 2003 as a basis of which the average amount of Section 8 vouchers would be distributed to the states.

In 2005, as the costs continued to escalate, HUD used the same 3-month period (May – July 2004). The average number of leases as well as the average Section 8 amount were considered together with an inflation formula. For Hawaii, this has resulted in 564 less vouchers for this year.

As Congress recognized that the budget could no longer sustain the program, Congress is proposing to make changes to the program. It wants to give the states flexibility to pay higher rents and allow states to adjust their own rent levels. Allowances for utilities will be adjusted accordingly or perhaps give the states more discretion as to who would bear most of the costs - - the tenant or the landlord.

Another proposed change is to restrict the “porting” of the Section 8 vouchers. The current procedure is to allow a tenant to use their voucher in another state and the originating state would pay for the subsidy. This would change where a state would be able to keep the voucher should the resident relocate to another state.

Director Thompson moved, seconded by Director Smith

That the HCDCH Board of Directors meet in
Executive Session at 1:25 p.m.

EXECUTIVE
SESSION

* * * * *

The Vice Chair reconvened the meeting in regular session at 1:50 p.m.

The meeting continued with Director Smith requesting that future Board meetings include as regular agenda items:

Development Section’s plans for new housing projects; and

FUTURE
MEETINGS

Discussion on imaginative approaches to the public housing inventory which could include options such as the selling the projects or privatization of the management of the projects.

Director Thompson concurred with Director Smith noting that these items would warrant more discussion as compared to it being included in the Office of Executive Director’s report.

Executive Director Stephanie Aveiro added that as part of her report, she will highlight the activities which demonstrate how proactive the agency is with regards to increasing the housing inventory in the community.

There being no further business to come before the Board, Director Thompson moved, seconded by Director Smith

That the meeting be adjourned at 2:00 p.m.

ADJOURN-
MENT

The motion was unanimously carried.

FRANCIS L. JUNG
Secretary

Approved: